

Message Text

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E.O. 11652: N/A

TAGS: ETRD, MX

SUBJECT: INVENTORY OF MEXICAN TRADE PROBLEMS

REF: STATE 187971

1. EMBASSY CONSIDERS INVENTORY OF SIGNIFICANT TRADE ISSUES AFFECTING MEXICO, CONTAINED REFTEL, AN EXCELLENT SUMMARY OF MAJORY BILATERAL AND MULTILATERAL PROBLEM AREAS.

2. UNDER 3A, EMBASSY WOULD ADD MEXICAN COMPLAINT THAT US USES MARKETING REGULATIONS AND STANDARDS AS AN NTB.

CONSTANT AND ARBITRARY CHANGES IN SIZE,, WEIGHT AND QUALITY REQUIREMENTS FOR SUCH AGRICULTURAL PRODUCTS AS AVOCADOES, TOMATOES, MANGOES ANDD RAISINS ARE DETRIMENTAL TO MEXICAN SALES. US PACKAGING, LABELLING AND MARKING REGULATIONS ARE CONSIDERED BY THE MEXICANS AS UNDULY EXIGENT IN MANY INSTANCES AND AS ALSO CONSTITUTING AN NTB. CURRENTLY UNILATERAL US ACTION TO STANDARDIZE BOTTLE SIZES AND THE PROPOSED US REGULATION REQUIRING RE-EXPORTATION OF NON-RETURNABLE BOTTLES ARE VIEWED HERE AS UNNECESSARY BURDENS.

3. UNDER 3 B, EMBASSY QUESTIONS COMPLAINT BY US BUSI-
NESSMEN THAT MEXICAN LICENSING SYSTEM ENTAILS INORDINATE

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AMOUNT OF "RED TAPE". OFFICIAL PROCEDURE FOR OBTAINING

IMPORT PERMITS IS IN ITSELF RELATIVELY STRAIGHTFORWARD AND GENERALLY EXPEDITIOUS. WHAT CAUSES UNCERTAINTY IS VAGUENESS OF RULES AND OFTEN BYZANTINE MACHINATIONS OF CONSULTATIVE COMMITTEES. EMBASSY BELIEVES, HOWEVER, THAT CASE BY CASE APPROACH FOR IMPORT LICENSE APPROVAL HAS OVERALL POSITIVE EFFECT ON TOTAL NUMBER APPLICATIONS ACTUALLY GRANTED.

4. OFFICIAL PRICING AND STATE TRADING ARRANGEMENTS IS A PROBLEM FOR EXPORTS OF US AGRICULTURAL PRODUCTS AND LIVESTOCK. IT IS NOT A SERIOUS PROBLEM FOR INDUSTRIAL PRODUCTS EXCEPT IN CERTAIN INSTANCES WHERE A GIVEN PRODUCT FALLS INTO A "BASKET" CUSTOMS CLASSIFICATION.

5. IN ADDITION TO PERMISSION TO EXPORT BOURBON TO MEXICO AT HIGH STRENGTH FOR REBOTTING, WHICH WOULD REQUIRE A CHANGE IN MEXICAN LAW, US PRODUCERS ARE REQUESTING LOWER MEXICAN TARIFF ON BOURBON AS TRADE OFF FOR REDUCTION IN US TARIFF ON TEQUILA.

6. VERY FEW, POSSIBLY 10 OUT OF 500, IN-BOND ASSEMBLY FIRMS OPERATING AT THE BORDER ARE TRULY INTERESTED IN SELLING THEIR PRODUCTS ON THE MEXICAN DOMESTIC MARKET. MOST "MAQUILADORAS" ARE IN ELECTRONIC FIELD AND PRODUCE SUB-ASSEMBLIES FOR WHICH THERE IS NO MARKET IN MEXICO. THE SECOND LARGEST GROUP OF "MAQUILADORAS" PRODUCE WEARING APPAREL. TO SELL THESE PRODUCTS ON THE MEXICAN MARKET WOULD BE CONSIDERED UNFAIR COMPETITION BECAUSE OF THE LOWER COST OF US PIECEGOODS, PARTICULARLY IN AN INDUSTRY WHICH IS FACING DECLINING DOMESTIC DEMAND. GOM WILL PERMIT SALES TO INTERIOR MARKET IF GIVEN FIRM PRESENTS ADEQUATE JUSTIFICATION AND IT IS DETERMINED THAT PRODUCT WOULD NOT COMPETE WITH NATIONAL INDUSTRY.

7. UNDER 3B, DEPARTMENT MAY WISH TO INCLUDE OTHER MEXICAN NTBS WHICH, ALTHOUGH NOT SIGNIFICANT IN THEIR TOTAL IMPACT, DO TEND TO RESTRICT US EXPORTS TO THIS COUNTRY. QUANTITATIVE QUOTAS AND EMBARGOES EXIST AGAINST A VERY LIMITED NUMBER OF PRODUCTS. THE GOM ENCOURAGES USE OF MEXICAN COMPONENTS THROUGH TAX REBATES (REFERRED TO LOCALLY AS LIMITED OFFICIAL USE

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CEDIS). THE GOVERNMENT'S PUBLIC SECTOR IMPORT COMMITTEE OFTEN FORCES SEMI-AUTONOMOUS AGENCIES TO "BUY MEXICAN". PRESIDENT ECHEVERRIA PURSUES A GOAL OF TRADE DIVERSIFICATION TO REDUCE DEPENDENCE ON US, BUT THIS POLICY IS VOLUNTARY AND HAS NOT PRODUCED ANY NOTICEABLE RESULTS. TARIFF PREFERENCES FOR LAFTA COUNTRIES ON CERTAIN PRODUCTS FAVOR THESE COUNTRIES. ALL THESE BARRIERS TO TRADE ARE DISCUSSED AT LENGTH IN MEXICO A-391.

8. UNDER 3C, EMBASSY BELIEVES THAT MEXICAN TRADE DEFICIT WITH ITS LAFTA PARTNERS IN 1973 IS TEMPORARY PHENOMENON, LARGELY DUE TO THE INCREASED PRICE OF VENEZUELAN OIL. AS MEXICO ACHIEVED SELF-SUFFICIENCY IN PETROLEUM IN 1974, EMBASSY ANTICIPATES MEXICO'S TRADE BALANCE WITH LAFTA COUNTRIES WILL BE FAVORABLE AS IN PREVIOUS YEARS. MOREOVER, LAFTA IMPORTS IN 1972 (LATEST PUBLISHED STATISTICS) AMOUNTED TO ONLY 4 PERCENT OF TOTAL.

9. EMBASSY WILL CONTINUE TO MONITOR MEXICO'S BILATERAL TRADE PROBLEMS WITH THE UNITED STATES AND THIRD COUNTRIES AND REPORT ANY CHANGES TO THE DEPARTMENT.

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